

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5147-01
Bill No.: SB 992
Subject: Agriculture and Animals; Agriculture Dept.; Boards, Commissions, Committees and Councils; County Government; Taxation and Revenue - Property
Type: Original
Date: March 23, 2010

Bill Summary: Creates the Missouri Farmland Trust.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Missouri Farmland Trust Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission, State Treasurer's Office** and **Department of Revenue** assume there will be no fiscal impact to their agencies.

Officials from the **Department of Agriculture (AGR)** assume this bill allows individuals and entities to donate, gift, or otherwise convey farmland to the Missouri Department of Agriculture for the purpose of preserving the land as farmland and to give new farmers an opportunity to farm by allowing long term, low and variable cost leases

The Department will improve, maintain, operate, and regulate any such donated lands to promote agriculture and the general welfare using moneys in the legacy farm preservation trust. A board, nominated by the Director, appointed by the Governor, and confirmed by the Senate, will make recommendations to the Director on the appropriate uses of legacy farms, criteria to be used to select applicants for the legacy farm program, and shall review and make recommendations regarding applications to lease a legacy farm. Board members shall serve without financial compensation but shall be reimbursed for actual and necessary expenses. The department may make payments to counties for the value of land as payment in lieu of real and personal property taxes for privately owned land acquired after 8-28-10.

The program will be administered by existing staff. Any program expenses will be paid from lease revenues. The following assumptions were used to estimate annual program revenues:

Land Donations

The Department of Conservation has a similar program that receives land donated for conservation purposes. Over the last five (5) years, they have received an average of 215 donated acres per year.

2005 = 64 acres
2006 = 403 acres
2007 = 265 acres
2008 = 253 acres
2009 = 89 acres

Total = 1,074 acres
Average = 214.8 acres/year

ASSUMPTION (continued)

Although it is difficult to predict whether or not the Legacy Farm Preservation Trust will receive more or less donated land, for the purposes of this fiscal estimate it is assumed the program will receive average donations of 215 acres per year

Lease Revenues

Recent survey data from the University of Missouri show the following average rental rates per acre of farmland:

Crop land = \$87.08 per acre
Pasture land = \$28.11 per acre

Applying these average rental rates to a typical Missouri farm yields the following revenues:

67% cropland * \$87.08/acre = \$58.34 per acre
33% pasture * \$28.11/acre = \$ 9.28 per acre

\$67.62/acre @ Market Rate

Since the program is intended to attract beginning farmers by allowing long term, low and variable leases, this analysis also assumes the lease rate will be only 25% of market rates in the first five years of the program. These assumptions generate the following annual revenues:

Year 1: 215 acres * \$67.62/acre market rate * 0.25 = \$ 3,635
Year 2: 430 acres * \$67.62/acre market rate * 0.25 = \$ 7,269
Year 3: 645 acres * \$67.62/acre market rate * 0.25 = \$10,904
Year 4: 860 acres * \$67.62/acre market rate * 0.25 = \$14,538
Year 5: 1,075 acres * \$67.62/acre market rate * 0.25 = \$18,173

Of course these estimates are only an example of potential revenues. Actual revenues will be determined by farm acreage donated, market lease rates, and policies of the Farmland Trust Advisory Board.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
MISSOURI FARMLAND TRUST FUND			
<u>Revenues</u> - Department of Agriculture			
Lease Revenue	\$3,635	\$7,269	\$10,904
<u>Cost</u> - Department of Agriculture			
Equipment & Expense	<u>(\$3,635)</u>	<u>(\$7,269)</u>	<u>(\$10,904)</u>
ESTIMATED NET EFFECT ON MISSOURI FARMLAND TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2011 (10 Mo.)	 FY 2012	 FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Yes. Increased numbers of beginning farmers will provide beneficial local and statewide economic impacts.

FISCAL DESCRIPTION

The act creates the Missouri Farmland Trust. The Department of Agriculture is authorized to accept or acquire farmland in the state for the purpose of leasing the land to beginning farmers.

The act creates the Missouri Farmland Trust Advisory Board, which is made up of 5 persons appointed by the director of the Department of Agriculture. The board will provide recommendations to the Department of Agriculture on the farmland trust program, including applicants for land to be placed within the trust program and applicants to lease the farmland.

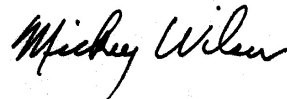
DESCRIPTION (continued)

The Department of Agriculture shall administer a fund called the Missouri Farmland Trust Fund, created by the act. Monies from the fund may be used to make payments to counties in lieu of property taxes and to improve or maintain the land in the farmland trust.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Missouri State Tax Commission
Department of Revenue
State Treasurer's Office



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Director
March 23, 2010